

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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<b>RE: INVESTIGATION BY THE DEPARTMENT OF</b>	)	
<b>TELECOMMUNICATIONS AND ENERGY ON</b>	)	<b>D.T.E. 02-40-B</b>
<b>ITS ORDER OPENING INVESTIGATION IN</b>	)	
<b>THE PROVISION OF DEFAULT SERVICE</b>	)	
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**COMMENTS OF THE CAPE LIGHT COMPACT**

The towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, and the counties of Barnstable and Dukes County, acting together as the Cape Light Compact (the "Compact"), hereby submit to the Department of Telecommunications and Energy (the "Department") their Comments in the above-captioned investigation.

The Compact is a governmental aggregator consisting of the twenty-one towns in Barnstable and Dukes Counties, as listed above, and the two counties themselves. The towns and counties have joined together, pursuant to lawful votes of their governing boards and G.L. c. 40, 4A, to serve as a governmental aggregator in the restructured electric markets and to employ the "opt-out" approach to aggregation specifically approved in St. 1997, c. 164, 247 (the "Restructuring Act") codified as G.L. c. 164, 134. The Compact maintains a business office within the Barnstable County offices in Barnstable, Massachusetts. The Department has previously approved the Compact's municipal Aggregation Plan, D.T.E. 00-47 (2000), the Compact's Municipal Aggregation Default Service Pilot Project, D.T.E. 01-63 (2001) and the Compact's energy efficiency program, D.T.E. 00-47(C) (2001), among other programs.

The Compact's Municipal Aggregation Default Service Pilot Project ("Pilot Project") provides competitive choice to former Default Service customers. In terms of numbers of customers, it is the largest program in Massachusetts with approximately 47,000 former Default Service customers in Barnstable and Dukes Counties receiving competitive supply through this program. In the process, customers have experienced substantial savings over Default Service pricing. Consumers who participate in the Compact's Pilot Project have an opportunity to opt-out and remain on Default Service, as well as the opportunity to choose another competitive supplier at any time. Response to the program has been very positive, with only one-percent of eligible customers choosing not to participate in response to an opt-out notification. The Compact presently has pending before the Department a Petition for Extension of its Pilot Project until December 31, 2003 (DTE 03-61); the Compact is also actively exploring other power supply options to serve, among others, Default Service customers, through the end of the Standard Offer period or beyond.

In its Order of April 24, 2003, the Department found that the manner in which Default Service is priced for medium and large commercial and industrial ("C&I") customers "will have a large effect on whether these customers will have the appropriate incentives to turn to the competitive market." Order, DTE 02-40B, April 24, 2003 (hereinafter "Order") at 36. The Department also found that the existing six-month procurement schedule provides Default Service customers with a level of price certainty that is more appropriately provided by the competitive market, and that the current design undermines retail competition. Order at 37. In its Order, the Department suggested that a one-month procurement schedule could provide medium and large C&I customers with

efficient price signals, an appropriate level of price certainty, and protection from spot market volatility. Although a one-month procurement schedule would likely increase the administrative costs incurred by distribution companies, the Department found that the “benefits of monthly procurements, in terms of supporting the continued development of the competitive market for larger customers, should outweigh these additional costs.”

Order at 39.

The Compact supports the Department’s proposal to institute a one-month procurement schedule for medium and large C&I customers. Default Service should be the least desired service, in terms of price and stability, so as to encourage customer choice and migration to the competitive market. Monthly variable pricing will encourage customers to turn to competitive supply for protection from market volatility, which will in turn benefit the development of the competitive market and create demand for additional municipal aggregation programs. Longer-term procurements for medium and large C&I customers, even on the order of the three-month procurements that some commentators have suggested, will only act as a barrier for municipal aggregation efforts in Massachusetts. The Compact also generally supports the positions of competitive suppliers Constellation NewEnergy, Inc. and Strategic Energy, LLC to the extent that their comments endorse implementing a monthly procurement schedule.

Although some commentators have suggested that monthly procurements will lead to increased administrative costs, the Compact states that such mechanisms as standardized contract terms and electronic bidding methods will minimize the administrative costs to the utilities.

Therefore, the Compact respectfully requests that the Department implement a one-month procurement schedule for medium and large C&I customers.

Respectfully submitted,

THE CAPE LIGHT COMPACT

By its attorneys:

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